FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-19621

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

MINNESOTA	41-1454591
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7400 Excelsior Blvd.
Minneapolis, Minnesota 55426-4517
(Address of principal executive offices)

(612) 930-9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES __X__   NO ____

As of May 8, 1997, the number of shares outstanding of the registrant's no par value Common Stock was 1,356,295 shares.

APPLIANCE RECYCLING CENTERS of AMERICA, INC.

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Appliance Recycling Centers of America, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 29, 1997	December 28, 1996

<S>	<C>	<C>
ASSETS		
Current Assets		
Cash and cash equivalents	$ 209,000	$ 280,000
Accounts receivable, net of allowance of $110,000 in 1997 and $84,000 in 1996	1,628,000	1,127,000
Inventories	458,000	444,000
Other current assets	177,000	246,000
Income taxes receivable	-	400,000
Total current assets	$ 2,472,000	$ 2,497,000
Property and Equipment, at cost		
Land	$ 2,103,000	$ 2,103,000
Buildings and improvements	3,770,000	3,798,000
Equipment	5,552,000	5,604,000
	$ 11,425,000	$ 11,505,000
Less accumulated depreciation	4,308,000	4,086,000
Net property and equipment	$ 7,117,000	$ 7,419,000
Other Assets	$ 66,000	$ 76,000
Total assets	$ 9,655,000	$ 9,992,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Line of credit	$ 1,290,000	$ 1,390,000
Current maturities of long-term obligations	195,000	227,000
Accounts payable	1,348,000	1,391,000
Accrued expenses	949,000	1,160,000
Total current liabilities	$ 3,782,000	$ 4,168,000
Minority Interest in Subsidiary	13,000	-
Long-Term Obligations, less current maturities	1,684,000	1,711,000
Total liabilities	$ 5,479,000	$ 5,879,000
Shareholders' Equity		
Common, no par value; authorized 5,000,000 shares; issued and outstanding 1,137,000 shares as of March 29, 1997 and 1,137,000 shares as of December 28, 1996	$ 10,350,000	$ 10,350,000
Accumulated deficit	(6,174,000)	(6,237,000)
Total shareholders' equity	$ 4,176,000	$ 4,113,000
Total liabilities and shareholders' equity	$ 9,655,000	$ 9,992,000

See Notes to Consolidated Financial Statements.

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Appliance Recycling Centers of America, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 29, 1997	March 30, 1996
<S>	<C>	<C>
Revenues		
Recycling revenues	$ 1,815,000	$ 1,767,000
Encore revenues	938,000	834,000
Byproduct revenues	490,000	459,000
Total revenues	$ 3,243,000	$ 3,060,000
Cost of Revenues	1,685,000	2,850,000
Gross profit	$ 1,558,000	$ 210,000
Selling, General and Administrative Expenses	1,448,000	2,047,000
Operating income (loss)	$ 110,000	$ (1,837,000)
Other Income (Expense):		
Other income (expense)	58,000	(13,000)
Interest income	1,000	28,000
Interest expense	(93,000)	(70,000)
Income (loss) before provision for income taxes and minority interest	$ 76,000	$ (1,892,000)

Provision for (Benefit of) Income Taxes	-	-
Income (loss) before minority interest	$ 76,000	$ (1,892,000)
Minority Interest in Net Income of Subsidiary	13,000	-
Net income (loss)	$ 63,000	$ (1,892,000)
Net Earnings (Loss) per Common and Common Equivalent Share	$ 0.06	$ (1.75)
Weighted Average Number of Common and Common Equivalent Shares	1,137,000	1,081,000

See Notes to Consolidated Financial Statements.

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Appliance Recycling Centers of America, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<S>	Three Months Ended March 29, 1997 <C>	March 30, 1996 <C>
Cash Flows from Operating Activities		
Net income (loss)	$ 63,000	$ (1,892,000)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	300,000	365,000
Minority interest in net income of subsidiary	13,000	-
(Gain) loss on sale of equipment	(34,000)	16,000
Change in assets and liabilities, net of effects from acquisition of Universal Appliance Company, Inc. and Universal Appliance Recycling, Inc. in 1996:		
(Increase) decrease in:		
Receivables	(501,000)	260,000
Inventories	(14,000)	(319,000)
Other current assets	69,000	(71,000)
Income taxes receivable	400,000	40,000
Increase (decrease) in:		
Accounts payable	(43,000)	(444,000)
Accrued expenses	(211,000)	(326,000)
Income taxes payable	-	(15,000)
Net cash provided by (used in) operating activities	$ 42,000	$ (2,386,000)
Cash Flows from Investing Activities		
Purchase of equipment	$ -	$ (627,000)
Cash acquired for acquisition of Universal Appliance Company, Inc. and Universal Appliance Recycling, Inc.	-	26,000
Payments for noncompete agreements	-	(110,000)
Proceeds from disposal of equipment	46,000	-
Net cash provided by (used in) investing activities	$ 46,000	$ (711,000)
Cash Flows from Financing Activities		
Payments on line of credit	$ (100,000)	$ -
Payments on long-term obligations	(59,000)	(360,000)
Proceeds and tax benefit from stock options	-	33,000
Net cash used in financing activities	$ (159,000)	$ (327,000)
Increase (decrease) in cash and cash equivalents	$ (71,000)	$ (3,424,000)
Cash and Cash Equivalents		
Beginning	280,000	4,605,000
Ending	$ 209,000	$ 1,181,000

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	Three Months Ended March 29, 1997	Three Months Ended March 30, 1996
<S>	<C>	<C>
Supplemental Disclosures of Cash Flow Information		
Cash payments (receipts) for:		
Interest	$ 93,000	$ 70,000
Income taxes net of refunds	$ (398,000)	$ (25,000)
Supplemental Schedule of Noncash Investing and Financing Activities		
Acquisition of Universal Appliance Company, Inc. and Universal Appliance Recycling, Inc.		
Working capital acquired, including cash and cash equivalents of $26,000	$ -	$ 118,000
Fair value of other assets acquired, principally property and equipment and a noncompete agreement	-	176,000
Value assigned to goodwill	-	302,000
Long-term debt assumed	-	(207,000)
Total consideration, 21,000 shares of Common Stock	$ -	$ 389,000

See Notes to Consolidated Financial Statements.

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Appliance Recycling Centers of America, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Financial Statements - In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal, recurring accruals) necessary to present fairly the financial position of the Company and its subsidiaries as of March 29, 1997 and the results of operations and its cash flows for the three-month periods ended March 29, 1997 and March 30, 1996. The results of operations for any interim period are not necessarily indicative of the results for the year. These interim consolidated financial statements should be read in conjunction with the Company's annual financial statements and related notes in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1996.

2. Accrued Expenses
Accrued expenses were as follows:

	March 29, 1997	December 28, 1996
Compensation	$ 151,000	$ 218,000
Lease contingencies and closing costs	347,000	466,000
Other	451,000	476,000
	$ 949,000	$ 1,160,000

3. Reverse Split - During the quarter ended March 29, 1997, the Company announced a 1-for-4 reverse stock split and decreased the number of authorized shares to five million. The effect of the reverse stock split has been retroactively reflected in these financial statements for all prior periods presented. In addition, on April 24, 1997, the Company's shareholders approved an amendment to the Company's Articles of Incorporation increasing the number of authorized shares to ten million.

PART I: ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Company's level of operation and financial condition. This discussion should be read with the consolidated financial statements appearing in Item 1.

RESULTS OF OPERATIONS

The Company generates revenues from three sources: recycling revenues, Encore(R) revenues and byproduct revenues. Recycling revenues are fees charged for the disposal of appliances. Encore revenues are sales of appliances, extended warranty sales and delivery fees. Byproduct revenues are sales of materials generated from processed appliances.

Total revenues for the three months ended March 29, 1997 were $3,243,000 compared to $3,060,000 for the three months ended March 30, 1996. Recycling revenues increased to $1,815,000 in the three months ended March 29, 1997 from $1,767,000 in the same period of 1996. The increase in recycling revenues was primarily due to the increase in refrigerator recycling volume related to the contract with Southern California Edison Company ("Edison"). The contract is expected to generate a minimum of $3.5 million in revenues in 1997. The timing and amount of revenues will be dependent on advertising by Edison.

Encore revenues for the three months ended March 29, 1997 were $938,000 compared to $834,000 for the three months ended March 30, 1996, an increase of 12%. The increase was primarily due to an increase in same-store Encore retail sales of 23% (a sales comparison of six stores that were open the entire first three months of 1997 and 1996). As of March 30, 1996, the Company operated 19 retail locations. Currently, the Company has 14 retail locations and does not plan to open any new stores in 1997. The Company expects retail sales for the remainder of 1997 to be lower when compared to 1996 due to fewer stores but expects a growth in retail sales per store when compared to 1996. The Company experiences seasonal fluctuations and expects retail sales to be higher in the second and third calendar quarters than in the first and fourth calendar quarters, reflecting consumer purchasing cycles.

Byproduct revenues for the three months ended March 29, 1997 were $490,000 compared to $459,000 for the same period in the previous year. The increase was primarily due to higher sales of reclaimed chlorofluorocarbons ("CFCs") offset by lower sales of scrap metals.

Gross profit as a percentage of total revenues increased to 48.0% for the three months ended March 29, 1997 from 6.9% for the three months ended March 30, 1996. The increase was primarily due to an increase in recycling volumes from Edison, higher than planned retail sales and significantly lower operating expenses as a result of restructuring the Company underwent in the fourth quarter of 1996.

Gross profit as a percentage of total revenues for future periods can be affected favorably or unfavorably by numerous factors, including the volume of appliances recycled from the Edison contract, the speed at which appliance sales increase and the price and volume of byproduct revenues.

Selling, general and administrative expenses for the three months ended March 29, 1997 decreased to $1,448,000 from $2,047,000 in the same period of 1996. Selling expenses for the three months ended March 29, 1997 decreased to $382,000 from $555,000 in the same period in 1996. The decrease in selling expenses was primarily due to a decrease in costs associated with operating fewer retail stores than in the first quarter of 1996. The Company closed 18 underperforming stores during 1996. General and administrative expenses for the three months ended March 29, 1997 decreased to $1,066,000 from $1,492,000 in the same period in 1996. The decrease in general and administrative expenses was primarily due to operating fewer locations in the first three months of 1997 compared to 1996 and a decrease in personnel costs.

Interest income decreased to $1,000 for the three months ended March 29, 1997 compared to $28,000 in the same period in 1996. The decrease was due to lower cash balances during the first quarter of 1997 compared to the first quarter of 1996.

Interest expense was $93,000 for the three months ended March 29, 1997 compared to $70,000 for the same period in 1996. The increase was due to a higher average borrowed amount in the three months ended March 29, 1997 than in the same period in 1996.

The Company recorded no provision for income taxes for the three months ended March 29, 1997 due to availability of net operating loss carryforwards, which total approximately $4,500,000 and expire in 2011. At March 29, 1997, the Company had a valuation allowance recorded against its net deferred tax assets of approximately $2,800,000, due to uncertainty of realization. Realization of deferred tax assets is dependent upon the generation of sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to become available to reduce taxable income.

ARCA California, Inc., a subsidiary of the Company, is owned 80% by the Company and 20% by a minority shareholder. Accordingly, a minority interest was recorded as of March 29, 1997, of $13,000.

The Company recorded a net income of $63,000 for the three months ended March 29, 1997 compared to a net loss of $1,892,000 in the same period of 1996. The increase in income was primarily due to higher than planned retail sales and significantly lower operating and selling, general and administrative expenses as a result of the Encore restructuring in the fourth quarter of 1996, and increased recycling volumes from the Edison contract.

LIQUIDITY AND CAPITAL RESOURCES

At March 29, 1997, the Company had a working capital deficit of $1,310,000 compared to a working capital deficit of $1,671,000 at December 28, 1996. Cash and cash equivalents decreased to $209,000 at March 29, 1997 from $280,000 at December 28, 1996. Net cash provided by operating activities was $42,000 for the three months ended March 29, 1997 compared to net cash used in operating activities of $2,386,000 in the same period of 1996. The increase in cash provided by operating activities was primarily due to the net income and a decrease in income taxes receivable offset by an increase in accounts receivable.

The Company did not have any capital expenditures for the three months ended March 29, 1997. The Company's capital expenditures were approximately $627,000 for the three months ended March 30, 1996. The Company has purchase commitments of $112,000 related to building improvements as of March 29, 1997.

As of March 29, 1997, the Company had a $2.0 million line of credit with a lender. The loan rate as of March 29, 1997 was 13-1/2%. The line of credit is secured by receivables, inventory, equipment, real estate and other assets of the Company and a portion is guaranteed by the President of the Company. The loan also requires that the Company meet certain financial covenants, provides payment penalties for noncompliance, limits the amount of other debt the Company can incur, limits the amount of spending on fixed assets and limits payments of dividends. At March 29, 1997, the Company had borrowings of $1,290,000 under this line.

The Company believes, based on the anticipated revenues from the Edison contract, the anticipated growth in sales per retail store and the anticipated improvement in gross profit, that its current cash balance, funds generated from operations and current line of credit will be sufficient to finance its operations and capital expenditures through December 1997. The Company's total capital requirements will depend, among other things as discussed below, on the number of recycling centers operating and the number and size of retail stores operating during the fiscal year. Currently, the Company has four centers and 14 stores in operation. If revenues are lower than anticipated or expenses are higher than anticipated or the line of credit cannot be maintained, the Company may require additional capital to finance operations. Sources of additional financing, if needed in the future, may include further debt financing or the sale of equity or other securities. There can be no assurance that such additional sources of financing will be available or available on terms satisfactory to the Company or permitted by the Company's current lender.

Statements regarding the Company's future operations, performance and results, and anticipated liquidity discussed herein are forward-looking and therefore are subject to certain risks and uncertainties, including those discussed herein. In addition, any forward-looking information regarding the operations of the Company will be affected by the ability of individual stores to meet planned revenue levels, the speed at which individual Encore stores reach profitability, costs and expenses being realized at higher than expected levels, the Company's ability to secure an adequate supply of used appliances for resale, the continued availability of the Company's current line of credit, and the ability of Edison to deliver units under its contract with the Company and the timing of such delivery.

PART II. OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is involved in certain legal proceedings arising from the cancellation of leases in connection with the closing of certain facilities. The Company has established a reserve for lease settlements and closing costs. (See Note 2 to the Consolidated Financial Statements.)

ITEM 2 - CHANGES IN SECURITIES - None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES - None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On April 24, 1997 the Company held its Annual Shareholders' Meeting. At the meeting, Edward R. Cameron, Duane S. Carlson, Harry W. Spell and George B. Bonniwell were elected as directors for 1997. The shareholders also approved an Amendment to the Articles of Incorporation to increase the number of authorized shares of Common Stock to ten million, ratified and approved the Company's 1997 Stock Option Plan and ratified the appointment of McGladrey & Pullen, LLP as independent auditors for the fiscal year ending December 27, 1997.

ITEM 5 - OTHER INFORMATION - None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No. 27 - Financial Data Schedule

(b) The Company did not file any reports on Form 8-K during the three months ended March 29, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Appliance Recycling Centers of America, Inc.

Registrant

Date: May 9, 1997

/s/ Edward R. Cameron

Edward R. Cameron
President

Date: May 9, 1997

/s/ Kent S. McCoy

Kent S. McCoy
Vice President of Finance, Treasurer

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